

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Township of Rock River, Michigan</u>	County <u>Alger</u>
Audit Date <u>3/31/06</u>	Opinion Date <u>5/5/06</u>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co. P.C.</u>			
Street Address <u>102 W. Washington St., Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>[Signature]</u> CPA			

ROCK RIVER TOWNSHIP, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2006

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets.....	10
Statement of Activities	11
Governmental Funds – Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	13
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	15
Fiduciary Funds – Statement of Fiduciary Net Assets	16
Notes to Financial Statements	17

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule.....	26
Fire Fund – Budgetary Comparison Schedule	27

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	29
Major Government Funds – Fire Fund – Statement of Revenues, Expenditures and Changes in Fund Balance.....	34
Fiduciary Funds – Combining Statement of Net Assets	35

COMPLIANCE SUPPLEMENTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49816

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rock River, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township of Rock River, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Rock River, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Rock River, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006 on our consideration of the Township of Rock River, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 26 and 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Rock River, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 5, 2006

Township of Rock River, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Rock River Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$5,940 or 2 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$204,056.
- The General Fund reported a net fund balance of \$193,375 with a \$2,983 increase for the current year. This was \$16,020 higher than the forecasted decrease of \$13,037.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- Business-Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 16. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2006 and 2005.

Table 1 Net Assets		
	Governmental Activities – 2006	Governmental Activities – 2005
Current and other assets	\$240,269	\$218,521
Capital assets, net	94,430	110,614
Total Assets	334,699	329,135

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities – 2006	Governmental Activities – 2005
Current liabilities	\$984	\$1,360
Non-current liabilities	-	-
Total Liabilities	<u>984</u>	<u>1,360</u>
Net Assets:		
Invested in capital assets, Net of related debt	94,430	110,614
Restricted	-	-
Unrestricted (deficit)	239,285	217,161
Total Net Assets	<u>\$333,715</u>	<u>\$327,775</u>

Net assets of the Township's governmental activities stood at \$333,715. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$239,285.

The \$239,285 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years ended 2006 and 2005.

Table 2
Change in Net Assets

	Governmental Activities – 2006	Governmental Activities – 2005
Revenues		
Program Revenues:		
Charges for services	\$7,367	\$14,795
Operating grants & contributions	49,344	26,927
General Revenues:		
Property taxes	68,596	62,386
State Sources	67,783	68,696
Interest and Miscellaneous	16,906	11,273
Total Revenues	<u>209,996</u>	<u>184,077</u>
Program Expenses:		
Legislative	4,877	5,898
Elections	352	4,190
General Services and Administration	53,844	51,309
Public Safety	36,954	33,179
Public Works	11,619	5,690
Community & Economic Development	6,069	7,410
Recreation and Culture	9,337	15,709
Other	81,004	65,585
Total Expenses	<u>204,056</u>	<u>188,970</u>
Increase (decrease) in net assets	5,940	(4,893)
Net assets, beginning	327,775	332,668
Net Assets, Ending	<u>\$333,715</u>	<u>\$327,775</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township's total revenues were \$209,996. The total cost of all programs and services was \$204,056, leaving an increase in net assets of \$5,940. Our analysis below considers the operations of governmental activities:

Governmental Activities

The net assets of the Township's governmental activities increased \$5,940 for the year ended March 31, 2006.

The governmental fund had an increase of \$22,124 and had depreciation expense of \$16,184, leaving a net increase of \$5,940.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12 reported a *combined* fund balance of \$239,285, which is an increase of \$22,124 from the beginning of the year.

The majority of the net income was due from the Fire Fund of \$19,141, property taxes revenue in being saved for the future purchase of a new fire truck.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

We adjusted our revenue and expenses to reflect the increase in Highway and Streets expenditures by \$7,927 for projects not originally budgeted for and to adjust for immaterial differences throughout the year.

Expenses were \$12,628 under budget for fiscal year 2006, the main reason for this was the renovations to the dining area of the Township Hall project of \$6,000 was not completed during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the Township had \$94,430 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2006	Governmental Activities – 2005
Land	\$ 41,500	\$ 41,500
Buildings and improvements	41,579	44,446
Equipment and furnishings	11,351	24,668
	<u>\$94,430</u>	<u>\$110,614</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the Township had \$0 in bonds and notes outstanding as depicted in Table 4 below.

Table 4 Outstanding Debt at Year-End		
	Governmental Activities – 2006	Governmental Activities – 2005
Note Payable – Fire Truck	\$ -	\$ -

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The differences that we anticipated for the March 31, 2007 year end are we are also planning to do renovations to the dining area of the Township Hall.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rock River Township, P.O. Box 195, Chatham, Michigan, 49816.

Township of Rock River, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and investments	\$ 213,938	\$ 213,938
Cash and investments - restricted	-	-
Receivables (net)	26,331	26,331
TOTAL CURRENT ASSETS	240,269	240,269
Non-current assets:		
Land and construction in progress	41,500	41,500
Other capital assets	363,414	363,414
Accumulated depreciation	(310,484)	(310,484)
Total Capital Assets	94,430	94,430
TOTAL NON-CURRENT ASSETS	94,430	94,430
TOTAL ASSETS	334,699	334,699
LIABILITIES:		
Current Liabilities:		
Accounts payable	-	-
Accrued liabilities	984	984
Deferred revenue	-	-
Current portion of loans payable	-	-
Other current liabilities	-	-
TOTAL CURRENT LIABILITIES	984	984
Non-current Liabilities:		
Loans payable	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	984	984
NET ASSETS		
Invested in capital assets net of related debt	94,430	94,430
Restricted for:		
Debt Service	-	-
Unrestricted	239,285	239,285
TOTAL NET ASSETS	\$ 333,715	\$ 333,715

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2006

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
Governmental Activities:					
Legislative	\$ 4,877	\$ -	\$ -	-	\$ (4,877)
Elections	352	320	-	-	(32)
General services and administration	53,844	4,747	-	-	(49,097)
Public safety	36,954	440	49,344	-	12,830
Public works	11,619	-	-	-	(11,619)
Community and economic development	6,069	550	-	-	(5,519)
Recreation and culture	9,337	1,310	-	-	(8,027)
Other	81,004	-	-	-	(81,004)
Total Governmental Activities	204,056	7,367	49,344	-	(147,345)
TOTAL PRIMARY GOVERNMENT	\$ 204,056	\$ 7,367	\$ 49,344	\$ -	\$ (147,345)
General Revenues:					
Taxes					68,596
Unrestricted State sources					67,783
Interest and investment earnings					15,764
Miscellaneous					1,142
Transfers					-
TOTAL GENERAL REVENUES AND TRANSFERS					153,285
CHANGE IN NET ASSETS					5,940
Net assets, beginning of year					327,775
NET ASSETS, END OF YEAR					\$ 333,715

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 171,716	\$ 42,222	\$ 213,938
Receivables	16,333	-	16,333
Taxes receivable	4,106	3,604	7,710
Due from other funds	2,204	84	2,288
TOTAL ASSETS	\$ 194,359	\$ 45,910	\$ 240,269
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and related	984	-	984
Deferred revenue	-	-	-
TOTAL LIABILITIES	984	-	984
FUND BALANCE:			
Unreserved, reported in:			
General Fund	193,375	-	193,375
Fire Fund	-	45,910	45,910
TOTAL FUND BALANCE	193,375	45,910	239,285
TOTAL LIABILITIES AND FUND BALANCE	\$ 194,359	\$ 45,910	\$ 240,269

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2006

Total Fund Balances for Governmental Funds	\$ 239,285
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>94,430</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 333,715</u>
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The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 44,893	\$ 23,703	\$ 68,596
Licenses and permits	-	-	-
State sources	68,223	49,344	117,567
Charges for services	6,927	-	6,927
Interest	14,780	984	15,764
Other	1,142	-	1,142
TOTAL REVENUES	135,965	74,031	209,996
EXPENDITURES:			
Current operations:			
Legislative	4,877	-	4,877
Elections	352	-	352
General services and administration	52,604	-	52,604
Public safety	24,291	-	24,291
Public works	11,619	-	11,619
Community and economic development	6,069	-	6,069
Recreation and culture	7,056	-	7,056
Other	26,114	-	26,114
Capital outlay	-	54,890	54,890
Debt service	-	-	-
TOTAL EXPENDITURES	132,982	54,890	187,872
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,983	19,141	22,124
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	2,983	19,141	22,124
Fund balance, beginning of year	190,392	26,769	217,161
FUND BALANCE, END OF YEAR	\$ 193,375	\$ 45,910	\$ 239,285

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	22,124
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	-	
Depreciation expense		(16,184)	
		<u>(16,184)</u>	<u>(16,184)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>5,940</u>
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The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$ 5,392
TOTAL ASSETS	<u><u>\$ 5,392</u></u>
LIABILITIES:	
Due to other funds	\$ 2,288
Due to others	<u>3,104</u>
TOTAL LIABILITIES	<u><u>\$ 5,392</u></u>

The accompanying notes are an integral part of these financial statements.

ROCK RIVER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Fire Fund** – The Fire Fund is used to account for financial resources to be used for the acquisition of capital expenditures relating to fire equipment (other than those financed by business-type/proprietary funds).

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the purchase of capital assets of the Fire Department.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Rock River Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

- e. The Supervisor is authorized by means of Township policy to make certain transfers:

1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

2. The following considerations must be reviewed in determination of transfer approvals:

- a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
- b. Will the transfer maintain the financial integrity of the Township?
- c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Rock River Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$213,938	\$5,392	\$219,330
Investments	-	-	-
	<u>213,938</u>	<u>5,392</u>	<u>219,330</u>
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$213,938</u>	<u>\$5,392</u>	<u>\$219,330</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amount of the primary government and fiduciary fund's deposits with financial institutions was \$219,330 and the bank balance was \$222,532. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$143,652
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	78,880
TOTAL	<u>\$222,532</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Investments

As of March 31, 2006, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables relating to tax collected by very yet to be disbursed are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$2,204	Fiduciary	\$2,288
Fire	84		-
TOTAL	<u>\$2,288</u>	TOTAL	<u>\$2,288</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at March 31, 2006</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 41,500	\$-	\$-	\$ 41,500
Total Capital Assets, not being depreciated	<u>41,500</u>	<u>-</u>	<u>-</u>	<u>41,500</u>
Buildings and improvements	114,700	-	-	114,700
Furniture and equipment	248,714	-	-	248,714
Total Capital Assets, being depreciated	<u>363,414</u>	<u>-</u>	<u>-</u>	<u>363,414</u>

NOTE D – CAPITAL ASSETS (Continued):

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
Less Accumulated Depreciation:				
Buildings and improvements	\$(70,254)	\$(2,867)	\$-	\$(73,121)
Furniture and equipment	(224,046)	(13,317)	-	(237,363)
Total Accumulated Depreciation	(294,300)	(16,184)	-	(310,484)
Governmental Activities Capital Assets, Net	\$ 110,614	\$(16,184)	\$-	\$94,430

Depreciation expenses for governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$1,240
Public Safety	12,663
Recreation and Culture	2,281
Total	<u>\$16,184</u>

NOTE E – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Local Governmental Unit totaled \$25,065,075, on which ad valorem taxes levied consisted of .8063 mills for the Local Governmental Unit operation purposes and 0.9424 mills for the Local Fire Department. These amounts are recognized in the General Fund and Fire Fund financial statements as revenue.

NOTE F – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE G – DEFERRED COMPENSATION PLAN:

The Township has a defined contribution retirement plan through Municipal Retirement Systems, Inc., covering all elected and appointed officials, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$1,740 for the year ended March 31, 2006.

The Township's share of the premium due under the policy is computed as 2% of total wages. Each plan participant is 100% vested upon entering the plan.

REQUIRED
SUPPLEMENTAL
FINANCIAL INFORMATION

Township of Rock River, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 41,213	\$ 41,213	\$ 44,893	\$ 3,680
State sources	65,740	65,740	68,223	2,483
Charges for services	9,820	9,820	6,927	(2,893)
Interest and rents	5,700	5,700	14,780	9,080
Other revenues	4,100	10,100	1,142	(8,958)
TOTAL REVENUES	126,573	132,573	135,965	3,392
EXPENDITURES:				
Legislative	5,400	5,400	4,877	523
Elections	300	356	352	4
General services and administration	58,995	58,680	52,604	6,076
Public safety	25,920	25,920	24,291	1,629
Public works	3,700	11,627	11,619	8
Community and economic development	6,875	6,763	6,069	694
Recreation and culture	10,322	10,191	7,056	3,135
Other	28,970	26,673	26,114	559
TOTAL EXPENDITURES	140,482	145,610	132,982	12,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,909)	(13,037)	2,983	16,020
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(13,909)	(13,037)	2,983	16,020
Fund balance, beginning of year	190,392	190,392	190,392	-
FUND BALANCE, END OF YEAR	\$ 176,483	\$ 177,355	\$ 193,375	\$ 16,020

Township of Rock River, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 23,140	\$ 23,140	\$ 23,703	\$ 563
State sources	49,350	49,350	49,344	(6)
Charges for services	-	-	-	-
Interest and rents	100	100	984	884
Other revenues	-	-	-	-
TOTAL REVENUES	72,590	72,590	74,031	1,441
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	55,000	55,000	54,890	110
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	55,000	55,000	54,890	110
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,590	17,590	19,141	1,551
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	17,590	17,590	19,141	1,551
Fund balance, beginning of year	26,769	26,769	26,769	-
FUND BALANCE, END OF YEAR	\$ 44,359	\$ 44,359	\$ 45,910	\$ 1,551

Other Supplemental Information

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 16,500	\$ 17,195	\$ 695
Delinquent taxes	4,000	3,084	(916)
Commercial forest reserve	200	253	53
National forest reserve	4,000	4,261	261
Swamp tax	9,513	9,513	-
Tax collection fees	7,000	10,587	3,587
Total Taxes	41,213	44,893	3,680
State Sources:			
State revenue sharing	65,300	67,783	2,483
State liquor license	440	440	-
Total State Sources	65,740	68,223	2,483
Charges for Services:			
Ski hill	1,500	1,310	(190)
Library	-	-	-
Village shared expense	1,000	872	(128)
Zoning	500	550	50
School election	320	320	-
Cemetery	6,500	3,875	(2,625)
Total Charges for Services	9,820	6,927	(2,893)
Interest and Rents:			
Interest	1,500	9,350	7,850
Rents	4,200	5,430	1,230
Total Interest and Rents	5,700	14,780	9,080
Other Revenues:			
Miscellaneous other	10,100	1,142	(8,958)
Total Other Revenues	10,100	1,142	(8,958)
TOTAL REVENUES	132,573	135,965	3,392

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 3,200	\$ 3,127	\$ 73
Supplies	500	474	26
Other services and charges	1,700	1,276	424
TOTAL LEGISLATIVE	<u>5,400</u>	<u>4,877</u>	<u>523</u>
ELECTIONS:			
Personnel services	310	310	-
Supplies	46	42	4
Other services and charges	-	-	-
TOTAL ELECTIONS	<u>356</u>	<u>352</u>	<u>4</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	4,235	4,233	2
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	<u>4,235</u>	<u>4,233</u>	<u>2</u>
Assessor:			
Personnel services	10,200	10,206	(6)
Supplies	100	97	3
Other services and charges	5,100	4,734	366
Total Assessor	<u>15,400</u>	<u>15,037</u>	<u>363</u>
Clerk:			
Personnel services	4,275	4,283	(8)
Supplies	-	-	-
Other services and charges	50	-	50
Total Clerk	<u>4,325</u>	<u>4,283</u>	<u>42</u>
Board of Review:			
Personnel services	1,000	907	93
Supplies	-	-	-
Other services and charges	375	119	256
Total Board of Review	<u>1,375</u>	<u>1,026</u>	<u>349</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Treasurer:			
Personnel services	\$ 6,100	\$ 5,830	\$ 270
Supplies	-	-	-
Other services and charges	-	-	-
Total Treasurer	6,100	5,830	270
Township Hall and Grounds:			
Personnel services	1,800	1,804	(4)
Supplies	250	221	29
Other services and charges	10,450	9,938	512
Capital outlay	2,800	-	2,800
Total Township Hall and Grounds	15,300	11,963	3,337
Cemetery:			
Personnel services	2,520	2,526	(6)
Supplies	350	117	233
Other services and charges	5,525	4,039	1,486
Capital outlay	3,550	3,550	-
Total Cemetery	11,945	10,232	1,713
TOTAL GENERAL SERVICES AND ADMINISTRATION	58,680	52,604	6,076
PUBLIC SAFETY:			
Police Department:			
Personnel services	440	440	-
Supplies	-	-	-
Other services and charges	-	-	-
Total Police Department	440	440	-
Fire Department:			
Personnel services	4,575	4,458	117
Supplies	2,705	2,658	47
Other services and charges	15,200	13,676	1,524
Capital outlay	3,000	3,059	(59)
Total Fire Department	25,480	23,851	1,629
TOTAL PUBLIC SAFETY	25,920	24,291	1,629

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS:			
Streets:			
Other services and charges	\$ 9,400	\$ 9,400	\$ -
Total Streets	<u>9,400</u>	<u>9,400</u>	<u>-</u>
Streetlights:			
Other services and charges	965	958	7
Total Refuse Collection	<u>965</u>	<u>958</u>	<u>7</u>
Refuse Collection:			
Other services and charges	1,262	1,261	1
Total Refuse Collection	<u>1,262</u>	<u>1,261</u>	<u>1</u>
TOTAL PUBLIC WORKS	<u>11,627</u>	<u>11,619</u>	<u>8</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	6,150	5,925	225
Supplies	363	110	253
Other services and charges	250	34	216
Total Planning and Zoning Commission	<u>6,763</u>	<u>6,069</u>	<u>694</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>6,763</u>	<u>6,069</u>	<u>694</u>
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	-	-	-
Supplies	50	37	13
Other services and charges	4,250	2,778	1,472
Total Parks and Recreation	<u>4,300</u>	<u>2,815</u>	<u>1,485</u>
Ski Hill:			
Personnel services	-	-	-
Supplies	400	292	108
Other services and charges	2,297	1,662	635
Capital outlay	794	794	-
Total Ski Hill	<u>3,491</u>	<u>2,748</u>	<u>743</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Library:			
Personnel services	\$ 2,000	\$ 1,387	\$ 613
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	400	106	294
Total Library	<u>2,400</u>	<u>1,493</u>	<u>907</u>
 TOTAL RECREATION AND CULTURE	 <u>10,191</u>	 <u>7,056</u>	 <u>3,135</u>
 OTHER:			
Fringe Benefits:			
Social security	1,620	1,620	-
Retirement	1,750	1,740	10
Total Fringe Benefits	<u>3,370</u>	<u>3,360</u>	<u>10</u>
Insurance and bonds	19,533	19,654	(121)
Miscellaneous	3,770	3,100	670
TOTAL OTHER	<u>26,673</u>	<u>26,114</u>	<u>559</u>
TOTAL EXPENDITURES	<u>145,610</u>	<u>132,982</u>	<u>12,628</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,037)</u>	<u>2,983</u>	<u>16,020</u>
 OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Transfers (Out):			
Fire Fund	-	-	-
Total Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN FUND BALANCE	 <u>(13,037)</u>	 <u>2,983</u>	 <u>16,020</u>
Fund balance, beginning of year	<u>190,392</u>	<u>190,392</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ 177,355</u></u>	 <u><u>\$ 193,375</u></u>	 <u><u>\$ 16,020</u></u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
FIRE FUND**

**SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended March 31, 2006

	Final Amended Budget	Actual GAAP Basis	Variance With Final Budget Positive (Negative)
REVENUES:			
Property Taxes			
Current Property Taxes	\$ 20,000	\$ 20,098	\$ 98
Delinquent Property Taxes	3,000	3,605	605
Commercial Forest Reserve	140	-	(140)
Total Property Taxes	<u>23,140</u>	<u>23,703</u>	<u>563</u>
State Sources	49,350	49,344	(6)
Interest	100	984	884
Miscellaneous	-	-	-
TOTAL REVENUES	<u>72,590</u>	<u>74,031</u>	<u>1,441</u>
EXPENDITURES:			
Capital Outlay			
Miscellaneous Expenses	100	-	100
Capital Outlay	54,900	54,890	10
Total Capital Outlay	<u>55,000</u>	<u>54,890</u>	<u>110</u>
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>55,000</u>	<u>54,890</u>	<u>110</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>17,590</u>	<u>19,141</u>	<u>1,331</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	17,590	19,141	1,331
Fund balance, beginning of year	<u>26,769</u>	<u>26,769</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 44,359</u></u>	<u><u>\$ 45,910</u></u>	<u><u>\$ 1,331</u></u>

Township of Rock River, Michigan

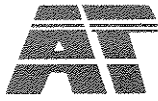
FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2006

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 5,392	\$ 5,392
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 5,392</u>	<u>\$ 5,392</u>
LIABILITIES		
Due to other funds	\$ 2,288	\$ 2,288
Due to others	3,104	3,104
TOTAL LIABILITIES	<u>\$ 5,392</u>	<u>\$ 5,392</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49876

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Township of Rock River, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township of Rock River, Michigan's basic financial statements and have issued our report thereon dated May 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Rock River, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

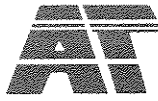
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Rock River, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 5, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

May 5, 2006

To the Honorable Supervisor and Township Board
Of Rock River Township, Michigan
P.O. Box 195
Chatham, MI 49816

We have audited the financial statements of the Township of Rock River, Michigan for the year ended March 31, 2006, and have issued our report thereon dated May 5, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Rock River, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Township of Rock River, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Rock River, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of Rock River, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

To the Honorable Supervisor and Township Board
Of Rock River Township, Michigan

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Rock River, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Rock River, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of Rock River, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants